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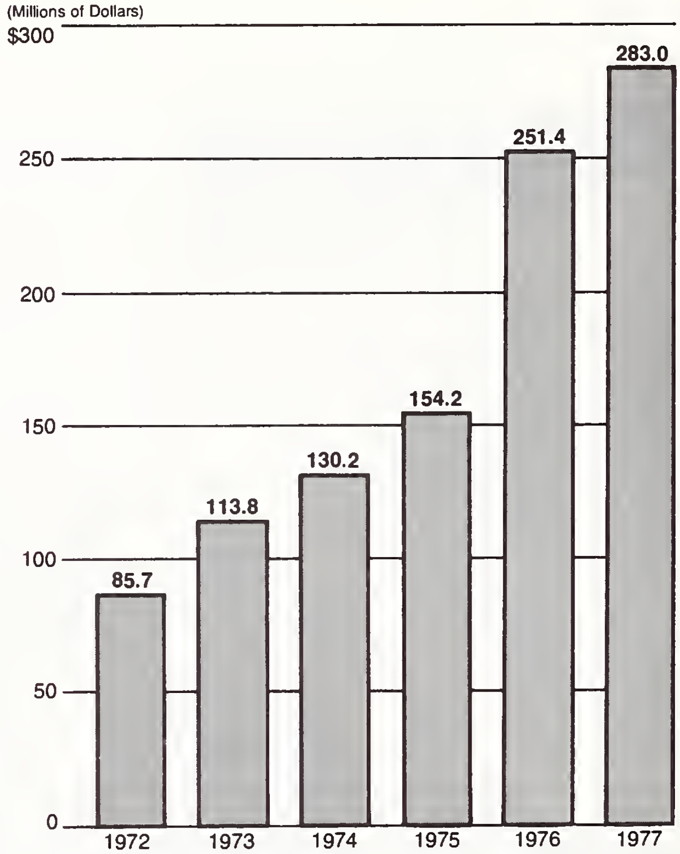
Raw cotton at a Soviet procurement center. Cotton is stored at these centers until ready for ginning.

New Record for U.S. Poultry, Egg Exports

By David R. Strobel

U.S. Poultry, Eggs and Egg Product Exports 1972-77



Exports of U.S. poultry and eggs, at $283 million in 1977, set a new record for the sixth consecutive year. Export value rose 13 percent over 1976's despite the U.S. container strike, increased production in major producing countries, continued limited access to the important European Community (EC) market, and subsidized competition for whole broilers from the EC and Brazil.

The record export years since 1972 have included both good and bad times on the domestic market, or, in industry terms, "boom and bust" years. Record exports in good years, however, are important to note. They convey a new approach by the U.S. poultry and egg industries to the foreign market, making exporting part of total marketing. More and more firms are incorporating exports in their marketing plans, and the concept of profitable exports to cushion the impact of a possible bad year domestically is now a reality.

The 1977 record included increases in both the poultry meat and egg categories. Exports in the live poultry category remained at about the same level as in 1976.

The $144 million export of chicken meat, over 50 percent being chicken parts, accounted for about 77 percent of the total poultry meat exported.

The loser in the 1977 export market was turkey meat, dropping 30 percent below 1976 shipments to $28 million. This drop reflects the container strike's effect on exports to the EC—which imports mainly turkey parts from the United States—combined with increased EC production. Another factor was the Canadian quota, which with increased production pulled down imports.

Yet, there were bright spots around the world in the export picture for U.S. turkey meat. Markets taking more U.S. turkey meat in 1977 than in 1976 included Singapore, Leeward and Windward Islands, Saudi Arabia, Togo, and Nigeria—the latter taking $2.9 million worth in 1977, compared with $1 million the previous year. Hong Kong remained a $1-million-plus market.

The export stars of the year were U.S. egg products and table eggs. Egg product shipments amounted to $22 million, versus only $7.6 million in 1976; and table eggs, $19 million, compared with $8 million.

The highlights of table egg exports were the continued expansion of the Hong Kong market as U.S. exports there tripled, and the movement of U.S. eggs to the Middle East for the first time. The American Egg Board (AEB)—operating under the umbrella of the cooperative market development program of the Poultry and Egg Institute of America (PEIA)/Foreign Agricultural Service (FAS)—participated in two FAS Middle East trade shows with PEIA last May.

In addition, the representatives surveyed other markets in the area. Industry followup was immediate and resulted in the export of almost $1 million worth of U.S. table eggs to the Middle East from the time of market entry in midyear to the end of the year. This was quite an accomplishment.

Looking at the major markets, shipments to Japan, at $51 million, rose 70 percent over those in 1976 to make this the No. 1 U.S. market in 1977. Of the total, $37 million was poultry meat and almost $10 million was egg products, making Japan the top 1977 market for these items also.

Despite its rapid expansion last year, Japan continues to look good as a growth market, provided the Government of Japan does not limit access. Chicken

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parts, mainly chicken legs, continue to be the leading item shipped to this market, amounting to $26 million in 1977 or 28 percent more than in 1976. In second place were frozen egg products, principally frozen yolks, at almost $7 million last year.

In order of importance after Japan, based on value, were the following 1977 export markets for U.S. poultry and eggs: Canada, $41 million; the Caribbean, $31 million; EC, $30 million; and Hong Kong, $26 million.

Value of exports to the Canadian market fell 19 percent from that of 1976, and shipments to the EC were off 15 percent. However, U.S. exports to these markets are strongly affected by trade barriers and, therefore, the drop in exports to these markets did not reflect the true market situation. Exports of eggs and egg products and turkey meat to Canada are subject to quotas, while entry of all poultry and egg products—except for prepared items—into the EC is severely limited by the highly restrictive EC import system. Prepared items imported by the EC remain bound under the General Agreement on Tariffs and Trade (GATT) at 17 percent ad valorem duty, and the share of these products in the U.S. export mix to the EC continued to increase.

There have been some ironic developments in the marketing of EC products resulting from the policy of severely restricting entry of non-EC, uncooked product of efficient producing countries that is not subsidized. In addition to fostering varying degrees of inefficient production within member countries, the policy has resulted in economically illogical subsidization of EC exports.

The best example is West Germany—still the world's largest poultry meat import market. While importing about 50 percent of its consumption, West Germany is continually forced by intra-EC competition on its domestic market and encouraged by elements of the system to export whole broilers with a very high export subsidy. This subsidy amounted to over 21 cents per kilogram at times in 1977.

So far U.S. exporters have compensated for import restrictions and export subsidies by seeking out and developing new export markets and introducing new products into established markets. However, EC subsidies on its exports to traditional and new markets keep the U.S. industry from reaching its full export potential.

Among other markets, Hong Kong should continue to grow, even though the People's Republic of China has been and will continue to be the Colony's chief supplier of poultry and eggs and imports from Thailand are beginning to become a factor in the market.

Also, South African frozen chickens arriving in Hong Kong at a very low price recently became another market factor. Reportedly, however, deliveries are irregular, lessening their market impact. According to the trade, South Africa is subsidizing its whole broilers to the point where they sell at 10-15 percent below the U.S. price.

The better hotels and restaurants are regular customers for U.S. frozen chicken because of its superior quality. Moreover, Hong Kong has developed rapidly as a market for U.S. quality shell eggs—over $8 million in 1977, versus $2.7 million in 1976. It also will continue to be an important market for U.S. chicken wings and feet; sales there of chicken parts, mainly chicken wings, amounted to almost $13 million in 1977.

The recent introduction of further-processed U.S. turkey products to the Hong Kong retail trade should assist in increasing turkey meat exports over the current $1 million level.

Singapore, a new market in the Far East, and Nigeria, a new market in Africa, both continued as rapidly expanding importers of U.S. product.

In 1977 Singapore took more than $9 million worth of U.S. products—27 percent above such imports in 1976. Singapore is still principally a chicken parts market. However, a noteworthy 1977 development was the import of almost $2 million worth of U.S. whole broilers, up from approximately $700,000 in 1976. U.S. duck is finding ready acceptance in the Singapore marketplace, and shipments of U.S. turkey meat to Singapore rose by 35 percent last year to $319,000.

During a recent visit to Singapore, it was learned that the Singapore Airport Terminal Service (SATS), currently catering 27 airlines moving through Singapore, will be relocated by 1980 to a new, much larger airport facility, with a significant increase in the amount of meals catered daily. SATS catering already includes U.S. product in its meals, and its expanded activities are expected to offer significant potential for the extensive line of U.S. further-processed portion-control poultry items.

Singapore continues to be an important transshipment point to other markets in the area. It is an excellent example of a country with a market potential that goes far beyond that indicated by population. Per capita consumption is high, and although its domestic poultry production is growing, Singapore will continue to be an expanding outlet for U.S.

"More and more U.S. firms are incorporating exports in their marketing plans, and the concept of profitable exports to cushion the impact of a possible bad year domestically is now a reality."

poultry exports as long as it remains an open market.

In 1977, Nigeria imported almost $7 million worth of U.S. poultry meat, compared with a little over $3 million worth in 1976. Low-priced poultry parts, mainly turkey items, rank as the largest import. But in 1977, $2 million worth of whole broilers moved to this market, up from $325,000 worth in 1976. Nigeria is an across-the-board market with its potential not close to full development.

Another new market is the South Pacific Islands. Although economic situations in these island countries vary, all are dependent on tourism. Hotels and restaurants are multiplying throughout the area to service the expanding tourist trade, providing a market for a complete range of U.S. poultry products.

For 1978, FAS has planned trade show activity for the area, with the goal of gaining maximum participation by U.S. poultry firms. The South Pacific islands can be a very lucrative pocket market for the U.S. poultry industry.

Indonesia is believed to be a market of the future for U.S. poultry and eggs. Currently, a high import duty restricts import possibilities. However, once Indonesia's economy gains a firm base, market demand should be enough to allow for both expanded domestic production and increased imports, provided there is ready access.

With more and more U.S. companies making exporting part of their total marketing, with FAS and PEIA seeking out and developing new marketing leads, and with FAS and PEIA market development activities underway to assist firms in developing export market potential to the fullest, U.S. exports of poultry and eggs will continue to grow. This will happen in spite of the adverse elements that still exist in the international marketing of poultry and eggs, such as limited access and subsidized competition. And with increasing demand in markets over the world, 1978 is expected to be another good year. □

Thailand's Rice Output and Exports To Fall in 1977-78

Following a year in which rice production set its second record in succession and exports reached a new peak, Thailand's rice crop this season (1977/78) is expected to be about 5 percent smaller and exports down by nearly 40 percent.

Current estimate is that Thailand's calendar 1977 rice exports were a record of nearly 2.9 million metric tons, up from the previous year's 1.9 million tons, but they are expected to fall to 1.8 million tons in calendar 1978. Production rose from the 1975/76 record of slightly more than 15 million tons of paddy to a new record of 15.8 million tons in 1976/77, but is expected to drop to about 14.5 million tons in 1977/78.

Rice production in 1977/78 was held down by a late summer-early fall drought in the northeast—one of Thailand's most important rice-growing regions—which will likely cut the locality's rice yield by 20-25 percent below 1976/77's. Although widespread, the drought's effects were more apparent in some areas than others. Good to average yields were reported on some farms, while just kilometers away yields were about 50 percent lower.

(The main rice crop harvested in other regions is believed to have been about average, but 5-8 percent below last year's record.)

Usually providing sizable amounts of rice for sale outside the region, the northeast will probably barely be self-sufficient until the 1978 harvest. More efficient use of the region's marketing system will be required to prevent pockets of acute shortages.

The northeast drought takes on added significance in light of the country's current tight rice position. Despite a countrywide increase in production of only about 600,000 tons between 1975/76 and 1976/77, exports rose by more than 1 million tons, leaving closing stocks at the end of 1977 at 233,000 tons, a record low level.

Thailand was concerned over the effect its exceptionally large exports would have on domestic availabilities, and in late 1977 it moved to increase the size of the country's rice reserves by requiring exporters to sell more rice to the Government at reduced prices. Traders who wished to export unbroken rice, or rice with 5 percent brokens, had to sell the Government 100 percent of the volume they planned to export instead of the previous 40 percent. In the case of 10, 15, 20, 25, 35, and 45 percent brokens, traders were required to sell 50 percent of the export volume instead of the previous 20 percent. Other grades of rice could be exported after selling to the Government 20 percent of the amount to be shipped.

In late 1977, the Government also set guidelines that slowed the granting of export permits. Exporters had to obtain prior Government permission and permits for exports of any size. Previously, exports not exceeding 200 tons could be shipped without official documents. Furthermore, individual shipments were limited to 1,000 tons, a reduction of 1,500 tons from the earlier limitation.

Export duties also were raised late in 1977 to reflect the trend of the market. In the case of rice, having 5, 10, 15, and 20 percent or less brokens (and a few other categories), the duty was raised by about 5 percent; 15 percent for parboiled rice and broken parboiled rice, the largest duty rise of any category.

At the present time, officials are uncertain about the size of the current rice crop. Low water supplies in major reservoirs may reduce irrigation levels and this could influence officials in determining export levels for 1978. Currently, 500,000 tons of the 1978 exports of 1.8 million tons are scheduled for export during the first quarter of 1978. □

USSR's 1977 Cotton Output— A Record 8.76 Million Tons

Cotton production in 1977 again was the major success story in USSR agriculture, with output reaching a record 8.76 million metric tons of seed cotton, equal to about 12.8 million bales of lint. Exports during 1976 totaled a record high of 878,000 tons. Export data for 1977 are not available.

This production volume is 4 percent larger than the previous record set in 1974 and 6 percent above the 1976 level.

The 2.98 million hectares in cotton last year also was a new high, up 30,000 hectares from the year-earlier record.

As of the beginning of 1978, cotton sales from the 1977 crop to the Government from the cotton-growing republics in Soviet Central Asia and the Transcaucasus were reported as follows (preliminary data):

Azerbaydzhan, 512,000 tons; Kazakhstan, 321,000; Kirgizia, 215,000 tons; Tadzhikstan, 861,000+; Turkmenistan, 1,170,000; and Uzbekistan, 5,680,000.

Japan, the largest single export buyer during 1972-74, reduced its 1976 purchases sharply, however, to 92,000 tons, the lowest level since 1971.

France, on the other hand, increased its purchases by a sharp 40 percent to a record 128,000 tons.

The bulk of the remainder of Soviet cotton lint exports in 1976 was accounted for largely by other European Community countries and Cuba.

East European countries took close to 400,000 tons, as in 1975.

The record cotton crop in 1977 could enable the USSR to maintain cotton lint exports in 1978.

Soviet cotton lint imports in 1976 totaled 117,000 tons, 15 percent below the year-earlier level and the lowest since 1957.

Egypt, traditionally the largest supplier of cotton lint to the USSR, accounted for about 35,000 tons. This was lowest volume since 1956, about 50 percent below the 1975 level, and 53 percent less than 1971-75 average exports.

In 1977, Egypt stopped cotton lint sales to the USSR altogether. The bulk of the remainder of Soviet imports of cotton lint in 1976 was from Syria, Iran, Afghanistan, Sudan, and Greece.

Imports from Iran and Afghanistan rose sharply by a third and a quarter, respectively, while imports from Greece almost tripled and those from Sudan more than doubled in volume. □

Wheat Crop Up In Bangladesh

Bangladesh projects its 1978 wheat crop—to be harvested in April—at 351,000 metric tons, 26 percent greater than last year's crop of 260,000 tons. Area this year is 181,000 hectares, compared with 160,000 hectares in 1977. The larger harvest is attributed to the 13 percent increase in area plus improved cultural practices and seed varieties.

Bangladesh has considerable potential for expanding wheat production in its dry winter season. □

Soviet Meat and Dairy Output Rose During 1977

The Soviet livestock sector showed relatively strong improvement during 1977 over year-earlier performance. Livestock inventories were up in all categories, and output of meat and dairy products made substantial gains.

The USSR began 1978 with large advances in overall livestock inventories. Cattle inventories, at 112.5 million head, were up a record 2.2 million head above inventories on January 1, 1977.

Cow inventories also reached a record 42.6 million head, up by 600,000 head.

Total sheep and goat inventories, at 146.2 million head, increased by 800,000 head—a less-than-1 percent increase from the year-earlier total.

Hog inventories, at 70.3 million head, were up 11 percent from the year-earlier level but still 2 million head less than record January 1, 1975, inventories.

Total hog inventories gained by 7 million head, 3 million of which occurred in the private sector.

Total poultry inventories on January 1, 1978, have not been reported, but it is estimated that poultry numbers reached a record of at least 820 million head, about 5 percent above the year-earlier level.

Meat production exceeded the planned level in 1977 and totaled 14.8 million tons, 10 percent above the reduced 1976 level, 6 percent more than 1971-75 average output, but still 1 percent below record output in 1975.

Government purchases of meat (live weight) reached 16.3 million tons, 11 percent more than in 1976, 6 percent above 1971-75 average purchases, but 3 percent below the record 1975 level. Total industrial meat output reached 9.1 million tons, 9 percent above output in 1976.

Milk production last year reached a record 94.8 million tons, 6 percent above the year-earlier level, 2.8 million tons more than planned, and 8 percent more than 1971-75 output.

Government purchases totaled a record 61 million tons, up 8 percent from the year-earlier level. Industrial output in 1977 of butter, whole milk products, and dry milk and cream increased by 11, 4, and 8 percent, respectively.

Output of eggs in 1977 totaled a record 61 billion units, 5 percent above the planned level, 10 percent above the 1976 level, and 19 percent above 1971-75 average output. Government purchases last year reached a record 36.8 billion eggs, 12 percent above total 1976 purchases.

Wool production, totaling 458,000 tons (greasy basis), exceeded the plan and was 6 percent above 1976 output and 4 percent more than the 1971-75 average. □

Reports on this page by Angel O. Byrne; Foreign Demand and Competition Division; Economics, Statistics, and Cooperatives Service.

JAPAN'S IMPORT PROSPECTS TIED TO ECONOMIC GROWTH

Japan's drive to boost its economic growth rate to 7 percent in fiscal 1978 (April 1978-March 1979) could push demand up by about 5 percent and strengthen import prospects for all farm commodities. Japan's overall growth rate for calendar 1977 was 5.3 percent.

For agriculture, a limiting factor could be the Government's efforts to reduce the rice surplus generated by the larger-than-anticipated 1977 harvest.

These efforts could hinder imports of rice substitutes as well as citrus and beef because of Government plans to divert rice area to production of these commodities.

In calendar 1977, Japan ran a global trade surplus of $17.6 billion and a current-account surplus of $11.1 billion. The drive for a 7 percent growth rate may hold the current-account surplus for calendar 1978 to about $8 billion, with further declines possible in subsequent years.

Western nations continue to urge Japan to work toward a current-account deficit, while Japanese officials seem willing to commit themselves only to a target of zero balance.

Japan's agricultural imports from the United States rose an estimated 11 percent in value during 1977, but only because considerably larger volumes of soybeans and feedgrains and deliveries of soybeans purchased at relatively higher 1976 prices offset generally lower commodity prices.

Significant value declines affected imports of wheat and pork. Wheat volume was up slightly, but pork volume declined.

Japan's total imports from the United States were valued at $12.3 billion (customs clearance basis), compared with exports to the United States of $19.7 billion. Globally, exports (f.o.b. basis) were valued at $80.5 billion, compared with imports (customs basis) of $70.8 billion.

Production of livestock, poultry, and dairy products in Japan is expected to continue rising during 1978. Fruit output also should continue to expand, but the pattern of fruit varieties and types produced is shifting.

Despite the Government setaside and consumption programs for rice, production of this grain is expected to exceed domestic demand. Wheat output is expected to continue increasing, and barley production may continue to decline.

Japan's situation and outlook for major farm commodities:

Cotton. The slowdown in real economic growth during the second half of calendar 1977 aggravated the depressed situation in the Japanese cotton industry. Raw cotton consumption in 1977/78 and 1978/79 is expected to be down about 4 and 3 percent, respectively, from the 685,000-metric-ton level of 1976/77.

Total estimated imports in calendar 1977 were about 650,000 tons, down from 668,000 tons in calendar 1976. The U.S. share in calendar 1977 is estimated at 220,000 tons (34 percent), compared with 174,000 tons in calendar 1976 (26 percent). Thus total U.S. exports of cotton to Japan were up despite the overall decline in Japanese imports and increasing competition from other countries.

Cotton imports from the United States may recover to around the 200,000-ton level during the current season, despite continued depression in the spinning industry and spinner reluctance to hold large stocks during a period of uncertainty.

Yarn prices remain depressed, and in many cases reportedly are below the cost of raw cotton inputs as textile demand at wholesale and retail levels remain weak.

Price recovery cannot realistically be expected until the spinning industry is restructured to reduce capacity. Thus, prospects for global imports at past levels remain bleak.

Dairy. The Government's census of livestock as of February 1, 1977, indicated a total dairy herd of 1,888,000 head, including 967,000 milk cows—an increase of 4 percent for total and milk cow numbers over the year-earlier census and a higher rate of increase than in the previous period.

Japan had 136,500 dairy farms on February 1, 1977, down from 147,100 a year earlier. Consequently, average herd size per farm rose from 12.3 head in 1976 to 13.8 head in 1977, continuing a long-term trend.

In 1977, about 62 percent of total raw milk produced went for fluid use, down slightly from the 1976 rate of 63 percent.

During January-November 1977, Japan imported 58,166 tons of natural cheese, (up 18 percent from the year-earlier level), 107,525 tons of nonfat dry milk (up 43 percent), 3,250 tons of butter (down 82.6 percent), and 8,462 tons of whey powder (down 42 percent). The U.S. shares in imports of natural cheese (0.7 percent) and whey powder (29 percent) were down from the year-earlier shares of 0.9 percent and 36.2 percent.

Poultry. Japan's poultry population on February 1, 1977, totaled 151,929,000 layers and 103,322,000 broilers, up 2.8 percent and 11.2 percent over year-earlier levels. But farm numbers are lower, and as a result egg producers with more than 50,000 layers and broiler farms with annual marketings of more than 300,000 birds increased significantly.

Poultry meat production rose substantially during 1977 as a result of the estimated 10.5 percent increase in young chicken meat to 775,000 tons.

Chicken meat imports in 1977 continued to expand and totaled 46,124 tons, compared with 36,951 tons a year earlier. Turkey meat imports also increased to about 720 tons from 661 tons in 1976. The U.S. shares in chicken and turkey meat imports were approximately 69 and 97 percent, respectively.

Oilseeds and products. The oilseed processing industry

is recovering slowly from unprecedented 1975 losses of $250 million.

Total soybean imports for calendar 1977 are estimated at 3.6 million tons, with U.S.-origin beans accounting for about 95 percent of the market.

Planted area in 1977 decreased by 4.5 percent to 79,300 hectares in spite of higher Government price supports to encourage diversion of rice land to other crops, especially soybeans. The 1977 support price was the equivalent of about $24.90 per bushel. Because of improved yields, total output rose to 110,800 tons from the 109,500 of 1976.

Demand for soybean oil remained sluggish throughout 1977, keeping prices low and reducing crushing margins. Consumption of soybean oil grew less than 4 percent from about 510,000 tons to an estimated 530,000 tons.

Crushers held back output to prevent accumulation of excessive oil stocks, and consequently availability of soybean meal from domestic crushing did not keep pace with rising demand.

As the domestic market price for meal rose, trading firms and meal users increased meal imports from 193,000 tons purchased in calendar 1976 to about 314,000 tons for calendar 1977, of which 75 percent was of U.S. origin. Imports of soybean oil were about 350 tons, compared with 12,000 tons in calendar 1976.

Long-term growth in consumption of soybean products is expected to continue in Japan, primarily because of diversity of use in feed and food products.

The total supply of soybeans in 1977 from domestic harvest and imports approached 4.1 million tons. Of this, about 2.8 million tons were crushed for oil and meal, and about 750,000 tons were consumed as food in such traditional dishes as miso (fermented bean paste for soup), tofu (soybean curd), natto (fermented soybeans), and nimame (cooked beans with sugar and soy sauce). Consumption of traditional soybean foods has exhibited only slightly growth in recent years, as younger Japanese have developed preferences for Western-style dishes.

Fruit and vegetables. Area in mikan production declined 3.3 percent to 158,000 hectares in 1977. The industry in recent years has been hit by surplus production and low prices.

Some area formerly assigned to mikan production is being replanted to late variety citrus, such as navel oranges. A leveling off of planted citrus area is expected over the next 2-3 years.

The United States continues to be Japan's leading supplier of lemons, oranges, and grapefruit.

Rice. Area planted to rice in 1977 totaled 2,757,000 hectares, only a slight decline from the previous year's area in spite of the Government's setaside program. Production in 1977 totaled 13,095,000 tons (brown basis) or 11,916,000 tons (milled). Increased production and continuing decline in consumption brought total rice stocks in November up to an estimated 3.67 million tons (brown).

Wheat. Domestic wheat production in 1977 rose 6 percent to 236,400 tons, compared with 222,400 tons a year earlier. Further increases can be expected this year as a result of intensified subsidization and Government efforts to reduce rice production.

Total wheat consumption for milling in fiscal 1976 reached 5,494,000 tons, including 154,000 tons of domestic wheat, to produce 3,954,000 tons of flour. Of total wheat milled, 4,134,000 tons were for flour recovery of 72 percent and 1,180,000 tons for 45 percent recovery.

Feedgrains. Production of barley decreased in 1977 to 205,800 tons from 210,300 tons harvested a year earlier. Area declined from 80,300 hectares to 77,810.

Total feedgrain imports for 1977 reached a record high of about 16.3 million tons, compared with 14.6 million tons in 1976. Of total feedgrain imports during 1977, corn accounted for 9.1 million tons, sorghum 5.2 million tons, and barley 1.7 million tons.

The United States remained Japan's primary supplier of feedgrains. Imports of U.S. corn totaled 7.5 million tons, or 82 percent of 1977 imports. Sorghum imports grew to 2.5 million tons, but the U.S. market share slipped to 47 percent from 53 percent in 1976.

Beef. The first stage of the beef import quota negotiations, which was completed January 13, calls for mutual efforts to expand demand for high-quality beef by 10,000 tons on a global basis, beginning April 1.

The hotel quota, which has been 1,000 tons annually since 1972 and almost all of which is imported from the United States, was tripled. While the remaining 8,000-ton increase in high-quality beef under the general quota would be on a global basis, the United States is expected to provide most of this meat.

Pork. A continuing but lower rate of increase in pork production is indicated for 1978. Hog slaughter in 1977 was about 16 million head, producing about 1,165,000 tons of carcass pork, compared with 14,277,000 head and 1,056,078 tons a year earlier.

Sugar. Japan's sugar consumption has leveled off to about 2.7 million tons (refined) for the 1976/77 (October-September) year and is expected to be about the same during 1977/78. Domestic production (beet and cane, refined basis) amounted to about 523,000 tons, and import requirements for 1977/78 are estimated at 2.4 million tons (refined basis).

Japanese sugar companies have concluded long-term import contracts with Australia, Cuba, South Africa, Thailand, Brazil, and Taiwan for a total 1.9-2.25 million tons of raw sugar annually.

Tobacco. Domestic leaf production for 1977 is estimated at 174,075 tons, 1.2 percent below the 1976 level. Sales of domestic cigarettes for 1977 are estimated at 298 billion pieces, up 8 percent from the 1976 level. Tobacco imports during fiscal 1978 are expected to continue near the estimated year-earlier level of about 44,000-46,000 tons. □

Based on dispatch from Dudley C. Williams, U.S. Agricultural Attaché, Tokyo.

Jute-Kenaf Production Seen Higher in 1977/78; India's Stocks Decline

By Peter Buzzanell

Higher levels of jute and kenaf production in Bangladesh and Thailand during 1977/78 are expected to offset a smaller volume of output in India, resulting in a total supply larger than last year's. However, exports are expected to be lower than in 1976/77 because of heavier domestic demand in the producing countries and competition in world markets from synthetics.

Fairly substantial gains in production of jute and kenaf expected in Bangladesh and Thailand in 1977/78 should offset the lower output looked for in India to pull the total for these three major producing countries to a higher level than last year's.

Exports of raw jute and kenaf, however, probably will fall largely because of increased domestic demand in producing countries, while exports of jute and kenaf products should remain at about the same level.

Total production of jute and kenaf in the three countries in 1977/78 is estimated at 2.45 million metric tons, an increase of 5 percent from the 1976/77 combined crop of 2.33 million tons.

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For 1977/78, crops in Bangladesh and Thailand are estimated to have gained by 11 and 33 percent, respectively, over 1976/77 levels, largely as a result of increases in harvested area.

Crops in India are off 51,000 tons from the 1976/77 crop of 1.27 million tons.

In Bangladesh, the jute/rice price ratio early in 1977 favored jute at the time of planting, resulting in an 80,000-hectare increase in harvested area.

However, poor growing conditions in the early part of the season caused the initial forecast of 1.08 million tons to be cut back to 990,000 tons.

In Thailand, Government price support incentives encouraged some farmers to switch back to growing kenaf, reversing the trend away from kenaf or recent years.

Thailand's kenaf production for 1977/78 is now placed at 240,000 tons, reflecting the larger area harvested as well as improved yields.

Combined production of jute and mesta for 1977/78 in India is down largely as a result of inclement weather in May and June, which damaged the crop in some important growing areas.

To meet both domestic and export demand, the Government of India had originally fixed a production target of 1.41 million tons, but actual output is not likely to have exceeded 1.22 million tons and possibly would be as low as 1.17 million tons.

Bangladesh as of late February was experiencing heightened demand for available raw jute supplies from domestic industries and foreign buyers.

Bangladesh, like India, had a relatively low level of stocks at the beginning of the season. Despite the larger crop in 1977/78, expanded demand is applying upward pressure on prices.

Reports from India as of late February indicate that the raw jute supply situation for domestic manufacturing is becoming very serious.

With the less-than-anticipated outturn for 1977/78, the low level of stocks at the beginning of the season, and dim prospects for substantial imports from Bangladesh and Thailand, there has been considerable upward pressure on raw jute prices in India.

The implications of this situation for the jute goods manufacturing industry are considerable. In addition to causing cost-push pressure on prices for jute goods, there could be a revival of threats for temporary shutdowns in the industry during the lean supply months of April and May 1978.

The outlook for 1978/79 has Bangladesh production targeted at 1.17-1.26 million tons, with about 810,000 hectares expected to be placed under jute cultivation. Favorable jute prices through the beginning months of 1978 would support marginal expansion in area and more intensified cultivation.

The Government of India is likely once again to seek a target of around 1.4 million tons for the 1978/79 season. As with Bangladesh, increases in area planted to jute depend largely on a jute/rice price ratio favoring jute.

Thailand's policies are aimed at maintaining production in the range of 235,000-350,000 tons annually. Again, plantings of kenaf in 1978/79 depend in large part on the remunerative level of kenaf relative to other crops, especially cassava.

Jute yields in Bangladesh and India, and kenaf yields in Thailand have varied little over recent years. The World Bank reports that yield improvements of 15 to 20 percent are feasible in Bangladesh and India with present technology and could be achieved by the distribution of better quality planting materials and improved cultural practices.

All three countries are actively pursuing programs to increase productivity. Bangladesh reports that total area under its Intensive Jute Cultivation Scheme was raised to 202,000 hectares in 1976/77, up from 121,000 hectares the year before.

The Bangladesh Jute Research Institute is reported to have developed a new variety of high-yield jute seed that could be sown in early February without danger of premature flowering and which could be grown in low-lying areas and harvested before normal monsoonal flooding.

India's Intensive Jute/Mesta District Program was reported to have been extended to 394,000 hectares

or 38 percent of the total area harvested in 1977/78. The program includes extensive use of demonstration projects to motivate farmers to adapt improved cultivation techniques.

Thailand also is active in improving its technical assistance program to kenaf farmers with goals of increasing yields as well as upgrading fiber quality.

If these intensive jute and kenaf cultivation schemes achieve their goals, higher yields potentially could provide enough jute and kenaf to meet total demand from a significantly smaller area.

One effect of this would be the freeing of land for much-needed food crops, such as rice in the case of Bangladesh and India, and cassava in Thailand.

Total export availability of raw jute and kenaf is down in 1977/78, owing to strong domestic demand and low stock levels in producing countries. However, a further slackening of import demand is likely in Western Europe and the United States, largely because of heightened competition from synthetic substitutes.

For 1977/78, raw jute and kenaf exports are forecast at 457,000 tons, down 8 percent from the 1976/77 level for the three major producing countries.

In Bangladesh, the world's largest exporter of raw jute, 1977/78 exports are put at 378,000 tons or 83 percent of the total for the three countries, compared with 410,000 tons exported in 1976/77 and reflect the tighter supply situation as well as increased domestic usage.

For Thailand, 1977/78 exports of raw kenaf are expected to be off at least 13 percent from those of the previous year.

In 1976/77, Thailand's exports of raw kenaf were only about half those of the year before as foreign buyers turned primarily to Bangladesh and India for supplies because of lower prices and superior quality.

Thailand's export availabilities of raw kenaf also will be affected by an anticipated 11 percent increase in domestic consumption.

On the import demand side, raw jute and kenaf will likely face increasing competition from polypropylene in the West European and U.S. markets.

The lack of raw kenaf availability in the international market will likely foster a further shift to lower grades of jute from Bangladesh, thereby putting added pressure on that country's export availabilities.

Raw jute export prices are already reflecting the tighter supply situation, having jumped from an average $315 per ton (f.o.b. Chittagong/Chalna) in September to $346 per ton in January.

Exports of jute and kenaf products in 1977/78 from Bangladesh, India, and Thailand are anticipated to be about the same level as those in 1976/77—about 900,000 tons.

Exports of jute products from Bangladesh are expected to continue their general upward trend in 1977/78 after record exports of 475,000 tons in 1976/77. Owing to the current upsurge in U.S. jute carpet-backing demand, Bangladesh is likely to increase its share of the market to the detriment of India's share.

Raw jute supply and possible mill operation problems are likely to continue to affect India's ability to compete effectively with synthetics and the increasing competition from Bangladesh, especially during the latter half of the 1977/78 season.

The long-term demand outlook for jute remains uncertain. Of the three major end-use markets for jute—sacking, carpet yarn, and carpet backing—sacking and carpet yarn have poor growth prospects.

In addition to competition from synthetics, the trend toward containerization and bulk handling of commodities—especially in developed country markets—portends a further shrinkage in the use of jute sacking.

The carpet-backing market, in contrast, is projected to expand in direct proportion to real disposable income growth. Synthetics, however, pose a serious threat to jute's share in the U.S. carpet-backing market, especially the 70 percent market share it holds in secondary carpet backing.

The major challenge confronting the jute industry in producing countries, as well as the processing industries of major importing countries, remains the competitive threat of further inroads by synthetics in traditional markets and end uses for jute products.

In the longrun, the survival of jute depends largely on research and development into promising new uses of jute as well as improving the economic efficiencies of jute production, processing, and marketing.

In the near term, competitive pricing of raw jute and jute products vis-a-vis synthetics is the most important factor in jute's survival. The near-term situation, however, is complicated by inflationary pressures on jute production costs, the outlook for tighter world supplies in 1977/78, and the prospect of declining synthetics prices.

At the Thirteenth Session of the Intergovernmental Group on Jute, Kenaf, and Allied Fibers (Rome, October 1977), the Food and Agriculture Organization Secretariat presented a report on the current situation and outlook for the competitive price levels of jute vis-a-vis synthetics.

The FAO Secretariat found that prices of polypropylene polymer in Western Europe have fallen sharply since early 1977 (e.g., U.K. polymer prices dropped from US$675 per ton in early 1977 to $522 per ton in August/September, 1977).

The principal factor precipitating the drop in prices has been the significant expansion of synthetics production capacity relative to demand.

New polypropylene capacity in Western Europe, which was reported to be about 1.5 million tons at the end of 1977, is expected to increase to 2.0-2.2 million tons by 1980. The implication for jute fiber is clear. The downward pressure on synthetics prices should continue as substantially larger supplies come on the market and production capacity exceeds demand during the next several years.

In contrast to the price situation in Western Europe, polypropylene prices in the United States were firm at around $640 per ton in mid-1977, compared with $617 per ton in mid-1976.

In the important U.S. jute-products markets, the current competitive position of jute relative to polypropylene cloth bagging material and synthetic carpet backing is excellent.

As in Western Europe, however, substantial excess production capacity also is foreseen in the U.S. synthetics industry for the balance of the decade. If prices of synthetic goods fall, jute's remaining shares of the primary and secondary carpet-backing and cotton-bale coverings markets would be ripe for further market penetration by synthetics. □

Saudi Arabia's Farm Output Drops in 1977

By John B. Parker, Jr.

Saudi Arabia's agricultural output declined in 1977, possibly as much as 20 percent below the record 1976 level as a result of unusually hot weather that crippled yields of wheat and coarse grains and adversely affected watermelon, eggplant, and alfalfa crops.

The combination of irrigation improvements, greater use of agricultural inputs plus excellent winter rains in 1975 and 1976 had enabled Saudi Arabia to double its farm output between 1972 and 1976. Production setbacks last year, however, could push Saudi farm imports in 1978 above the estimated $1.2 billion level of 1977—a sharp contrast to the $283 million of farm imports in 1972. While Saudi Arabia's purchases of farm products have skyrocketed since the 1973 rise in petroleum prices, money spent for agricultural imports represented only 3 percent of the country's $32-billion petroleum earnings in 1976.

Eroded by intense competition and lower priced products, the U.S. share of this market dropped to about 14 percent in 1977, compared with 23.8 percent in 1968. However, the value of U.S. agricultural exports to Saudi Arabia in 1977 is estimated at $171 million, up slightly from $165 million recorded in 1976. That year, the principal exports, in millions of U.S. dollars, were wheat flour ($53.0), consumer-ready products ($51.0), rice ($48.8), animal feeds ($8.3) and beverage ingredients ($4.0).

Speeches by officials of the Ministry of Agriculture and Water and Saudi newspaper reports indicated sharp 1977 production shortfalls for wheat, millet, watermelons, eggplant, and alfalfa. Crops harvested in the spring—such as tomatoes, lettuce, and the cabbage family—escaped the summer heat wave and registered production increases.

Saudi agriculture officials indicated that 1977's wheat production declined 27 percent to about 150,000 tons from the 1976 record of 205,000 as a result of the hot weather and problems with irrigation facilities.

Irrigated cropland covers an area about the size of Delaware in this desert country, which is almost the size of the United States east of the Mississippi. The latest irrigation project, called Wadi De Wasser, is expected to open about 20,000 hectares of cropland for coarse grains, tomatoes, and grapes between Riyadh and Abha. The project is scheduled to be completed in the early 1980's.

Saudi farmers now produce about one-third of the country's grain requirements and about one-half of needed farm products. Saudi Ministry of Agriculture reports indicate that wheat output had risen sharply from just 90,000 tons in 1974 through the use of high-yielding varieties from Mexico, India, and Pakistan in irrigated wheatfields near Riyadh and Burayda. Heavy use of fertilizer on these improved varieties allowed farmers in the Qasim and Riyadh Amirates to obtain yields of more than 5 tons per hectare in the last 2 years, but yields are lower in the Asir Highlands.

Millet production in 1977 was estimated by the Saudi Ministry of Agriculture at 140,000 tons, down 20 percent from that of 1976, while the alfalfa crop, the major source of animal feed, declined—possibly as much as 21 percent to 775,000 tons, the lowest outturn since 1973. New irrigation facilities in the Jizan Amirate helped prevent a serious slide in sorghum output, which is estimated at 105,000 tons, down just 5,000 tons from that of 1976.

Expanded plantings in irrigated areas along the Red Sea raised corn production from 11,000 tons in 1973 to 21,000 in 1976. Further gains were anticipated for 1977.

Saudi Arabia's corn imports reached 111,134 tons valued at $20.7 million in 1976, including 56,395 tons from Thailand and 27,497 from Sudan. Shortfalls in Thailand's corn exports also created an opening for U.S. corn and barley in this lucrative Mideast market. The United States sent 13,000 tons of barley and 3,000 of corn to Saudi Arabia in late 1977.

The 1977 production of watermelons—the country's No. 1 farm export, bringing in about $6 million in 1976—skidded about 25 percent in 1977 from the estimated 1 million tons in 1976. Output in the Qasim area plummeted, largely because the hot weather caused higher-than-expected evaporation of irrigation water. The eggplant crop also declined.

Yields, however, remained good for crops grown during the winter and harvested in the spring. Tomatoes are grown throughout the year in Saudi Arabia, but most of the production occurs in spring and autumn rather than during the hot summer months. Production in 1977 is estimated at 400,000 tons, up from 350,000 a year earlier. New varieties of high-yielding U.S. tomatoes helped Saudi farmers reap an average yield of about 11 tons per hectare last year, resulting in profits of more than $2,500 per hectare or about $1,000 per acre. Another bumper tomato harvest is expected in early 1978.

Booming urban demand and rising exports (about 10,000 tons in 1976) have encouraged farmers to grow more tomatoes as improved roads and refrigerated trucks facilitate their marketing operations.

Vegetables of the cabbage family respond well to the mild Saudi winter and thrive in irrigated fields of the Eastern Province and the Qasim and Riyadh Amirates. Cabbage production, rising steadily since 1970, reached an estimated 77,000 tons in 1977 while the lettuce crop, estimated at 115,000 tons,

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topped the 100,000-ton mark for the second straight year. Onion output rose about 7,000 tons to 77,000 tons last year.

Construction projects to improve the country's infrastructure have drawn workers from Europe, the United States, and East Asia. This influx has bolstered demand for lettuce, cauliflower, broccoli, and other vegetables not traditionally grown in Saudi Arabia.

Production of dates, once the leading farm export, has remained significant because of the availability of subsidized fertilizer and improved marketing facilities. Output in 1977 is placed at 285,000 tons. Labor for date trees has become more expensive because of increased job opportunities in urban areas.

The 1977 grape outturn was pegged at 42,000 tons—more than triple the 12,000 tons harvested in 1970. In the last 2 years, new orchards of peaches, apricots, pomegranates, plums, and nectarines have been planted in the Asir Highlands from Taif to the Yemeni border.

These trees should increase considerably the country's deciduous fruit output by 1980.

New banana and mango groves near the Red Sea and new orange groves in the north central areas, particularly near Hail and Burayda, are expected to raise production levels over the long term. Banana production in 1977 reached about 6,000 tons—double the 1973 figure; orange output is estimated at 15,000 tons—more than double the 1972 crop.

Saudi Arabia is noted for its crops of huge lemons, which are used primarily in making jams with the rinds. The 1977 crop rose to about 6,000 tons, double that of 1972. □

New Zealand's Wineries Beset by Export Problems

New Zealand's fledgling wine industry—which is trying to export a larger share of its outturn—is facing a series of problems that include rising land costs and intense competition in some overseas markets.

The industry's continuing growth also has started some diversification away from dairying and sheep, beef, and cattle production, agricultural mainstays since the first settlers arrived 150 years ago.

Desirable land in the north and east of North Island, and in the Marlborough area of South Island, has been rising in cost as new vineyards are established. Also, growers of kiwi fruit are competing with grape growers for the type of land best suited to grape production, adding new impetus to the land-cost upsurge.

Expansion of New Zealand's viniculture has been apparent since 1969, when vineyard area amounted to just 728 hectares. Since then area has increased and today more than 2,000 hectares are planted to wine grapes, mostly around Auckland and Gisborne in the Poverty Bay region. Over 350 vineyards are in operation in that area.

Wine production has also risen—from 16.8 million liters in 1969 to over 35.6 million liters in 1977—an increase of 112 percent during that period. Of the total produced in 1977, 20.6 million liters were table wines, 13.2 million liters were dessert varieties, and 300,000 liters were liqueurs.

This production meets most of New Zealand's domestic demand and provides a sizable surplus for export. Still New Zealand imports a small volume of high-quality specialty wines from Australia and Europe.

Total sales of wines in 1977 amounted to 30.6 million liters—17.1 million liters of table wines and all of the dessert wines and liqueurs. Domestic consumption accounted for 30.3 million liters in 1977; exports were 300,000 liters, up from 21,000 liters in 1969.

Entry of international firms producing and distributing wines and spirits into the New Zealand wine industry may bring a change in the production pattern away from small, family-owned wineries of the type pioneered by Yugoslav immigrants to large, tightly controlled commercial operations. One of the prominent New Zealand wine manufacturers already has been bought by a North American spirit and wine manufacturer.

However, before New Zealand can really push its wine exports, it first must build up its stocks, which have climbed from 12 million liters at the end of 1973 to 49.2 million liters in the 1976/77 season. New Zealand's most popular wines are the white wines produced from grapes grown principally in the Auckland and Gisborne areas and at Hawkes Bay. New Zealand's temperate climate and many sunless days tend to discourage production of red-grape wines, only a few of which meet world standards in any case.

It is believed that the rate of wine growth will slow in the decade ahead. Domestic consumption is expected to rise, but New Zealand wines are not competitive with Australian wines in North America and meet especially tough competition from U.S. and European wines in the United States. Thus, New Zealand wine producers face severe handicaps in increasing their share of the U.S. market.

Whether New Zealand succeeds as a wine exporter or not will determine the extent of the industry's growth. But since most of the rise in domestic wine consumption is expected to take place at the expense of beer, even if New Zealand fails as an exporter, the industry will still see some growth in the future. □

Based on report from Office of U.S. Agricultural Attaché, Wellington.

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Fairly Heavy Export Sales Reported For U.S. Wheat

The Office of the General Sales Manager, USDA, reported the following U.S. export sales of key farm commodities for the week ending February 26 (based on reports from exporters unless otherwise noted):

Wheat: New sales activity remained fairly strong with significant purchases by Brazil, Morocco, the USSR, Poland, and Japan. Contract adjustments and the assignment of destinations on sales previous registered to unknown destinations more than offset new sales to unknown destinations. The USSR was the main recipient of sales switched from unknown destinations. Poland was the only significant buyer for marketing year (MY) 1978/79 (June-May), registering its initial purchase for this period. The Soviet Union cancelled purchases of 305,000 metric tons (82,776 tons for the current marketing year and 222,224 tons for MY 1978/79) as reported under the daily system. The export pace declined to 472,000 tons after the moderate increases of the past 4 weeks.

Corn: Sales activity displayed moderate strength after the previous week's drop. The USSR and Japan were the major buyers, with numerous other countries adding to existing contracts. An unusually large switch from unknown destinations (1,004,800 tons) to the USSR and several other countries resulted in a significant drop in unknown-destination sales. Soviet purchases increased by 1,394,800 tons on new sales of 500,000 tons and 894,800 tons switched from previously unknown destinations. Under the daily reporting system, Greece added 242,000 tons for MY 1977/78. A drop in weekly exports to 572,200 tons probably was a result of weather problems.

Soybeans: New sales (450,600 tons) were heavy as the European Community and other West European buyers registered large purchases. Sales activity also reflected the switch of 200,000 tons to the USSR from previously unknown destinations. Sales for 1978/79 rose by 96,800 tons, principally on sales to the Netherlands and Taiwan. Exports (499,100 tons) were the largest in weeks, with the EC and Japan accounting for two-thirds of the movement.

Soybean cake and meal: Sales (86,100 tons) slackened from the level of the past 3 weeks. Korea, the Netherlands, and Iran were the major buyers. Sales to unknown destinations declined by 42,300 tons as final destinations were assigned. The EC accounted for over three-fourths of the 129,000 tons exported.

Soybean oil: Sales to unknown destinations (4,000 tons), India (2,500 tons), and Guinea (1,800 tons under P.L. 480) accounted for the bulk of the 9,100-ton net increase. Exports (23,200 tons) went primarily to Iran (10,000 tons) and to Peru (11,300 tons under CCC export credit).)

Rice: Activity continued at a modest level. Mauritania and Saudi Arabia were the major customers. Both bought milled long-grain quantities. Sales to unknown destinations rose by 7,400 tons. Exports were fairly heavy, with Indonesia and Saudi Arabia accounting for most of the outgo.

Cotton: Sales activity slowed abruptly from the high levels of recent weeks. The 62,500 running bales added to MY 1977/78 and 1978/79 sales were principally to Taiwan, Japan, the People's Republic of China, West Germany, and Italy. Exports also slowed as 86,200 running bales were shipped, with 77 percent of this volume going to Asia.

Barley, oats, sorghum: No significant activity. □

Prepared by USDA's Office of the General Sales Manager. For additional information telephone (202) 447-9209.